

Strategic Plan

Economic and Revenue Forecast Council

Mission Statement: To promote state government financial stability by producing an accurate forecast of economic activity and General Fund revenue for the legislature and governor to be used as the basis of the state budget.

Statutory Authority: RCW 82.33

Goal: Accurately forecast economic activity and state tax revenue for Washington State.

Objectives:

- Produce baseline, optimistic, and pessimistic forecasts of the national and state economy four times a year for approval by the Economic and Revenue Forecast Council.
- Prepare four times a year General Fund-State revenue forecast for approval by the Economic and Revenue Forecast Council.
- Prepare monthly reports to the Economic and Revenue Forecast Council and Workgroup Members, comparing tax collections with estimates.

Strategies:

1. The Agency will monitor and assess current national and state economic conditions in order for the information to be used as the basis for the Washington economic forecast.
2. In order to accurately reflect changes in forecast, the agency will review and assess changes to tax laws and administration practices.
3. The Agency will examine state tax collections which provide insight for the Washington revenue forecast and produce monthly collection reports.
4. Conduct Work Group Meetings to provide oversight and advise on factors used in the forecast process that will assure accuracy in the forecasts.
5. The agency will provide a preliminary forecast as recommendation for the U.S. and Washington economic forecast.
6. The Governor's Council of Economic Advisors, comprised of independent economists, will both review the agency's preliminary forecast and provide a fourth forecast scenario for the Economic and Revenue Forecast Council to review.
7. The agency will produce an Economic Forecast for adoption by the Economic and Revenue Forecast Council that will be the basis of the revenue forecast.

8. The revenue forecast that the agency produces and that the Economic and Revenue Forecast Council adopts will used as the basis of the state budget.
9. The agency will review the details of the adopted revenue forecast in a quarterly publication and provide forecast detail and explanation regarding the forecast components.
10. In order to provide accurate forecasts, the agency will conduct continual review of data and revision.

Goal: Enhance service delivery standards that demonstrate to our customers the professionalism and respect citizens deserve from state government.

Objectives:

- Maintain consistency and increase turnaround and response time to customer inquiries.
- Discover and accommodate changing needs.

Strategies:

1. Issue biennial customer surveys and analyze feedback.
2. Update web site to fulfill requests from customer survey results.

Performance Assessment: The performance of the Economic and Revenue Forecast Council is difficult to measure, particularly against similar organizations. There are no reliable and consistent data available for comparison against similar agencies within the United States.

Each quarter the agency does compare the forecast to those of the Governor's Council of Economic Advisors (GCEA) member's forecasts. We use this independent body to gauge what economists outside state government see as a realistic projection of the states economic activity. Historically, if a significant gap between the agency forecast and that of the GCEA exists, the agency has extensively reviewed and made changes to the forecast using their input when appropriate.

Each quarter we do in depth analysis regarding our forecast in the publication Washington State Economic and Revenue Forecast. It is there that the forecasters, in writing, acknowledge emerging issues. They evaluate the changes to the forecast. The forecasters also review all data they use in their models and re-evaluate as data revisions come in. This is the most comprehensive evidence of the agency's response to difference in the proposed measure and the actual results.

***Appraisal of
External
Environment:***

The accuracy of the economic and revenue forecasts is strongly affected by the external environment. The primary external factors affecting forecast accuracy are revisions to external data and unforeseeable events.

The economic and revenue forecasts depend upon data from a variety of sources, including the state and federal government. These data often undergo extensive and unpredictable revisions after they are used in a forecast. The revisions frequently extend several years backward into history. While the Economic and Revenue Forecast Council continuously monitors the accuracy of the data to the best of its ability, it cannot control or predict the full extent of data revisions. These revisions affect not only local-level data used in our state model, but also data that feeds into the national model that we buy from Global Insight. A forecast based upon data that undergo large subsequent revision may therefore be based upon economic assumptions that later prove untrue, diminishing the accuracy of the forecast.

***Assessment of
Internal capacity
and financial
health:***

The Economic and Revenue Forecast is rare as it is one of the few state agencies that employs the same number of full time employees as it did when created. As the priorities of government are changing, the agency is in line with these priorities and continues to work effectively within its' capacity. There is discussion, however, about retirement eligibility and the need to be proactive with succession planning. In the next biennium there is a potential that the agency will need to engage the Executive Search Services to help fill one or two positions within the agency. The agency is also considering the option of hiring a senior forecaster in-training position for one year to assure seamless transition. Both of these options require additional funds that need to be approved in the 2007-09 budget cycle.

The agency acknowledges a need to shift technology service delivery. We look forward to providing our customers more information via the agency website.

The agency's single revenue source is the State General-Fund. Our funding has been adequate to sustain the agency financially.

The current 2005-07 biennium has shown an increased demand on agency funds. With the impact of personnel reform charges, and the demand for adequate technology, the agency's budget has felt significant strain. Additional sources of financial burden include increasing salaries without increasing budget funds, international travel expenditures for trade missions, and technology expenditures. The "refresh cycle" mandate from the Information Services Board is hard for a small agency to meet. The funding to buy computers every three years can be tight, and in addition the agency loses productivity as the staff transitions to new computers. We hope to make this challenge smoother by adding IT purchasing to the existing interagency agreement with the Department of Revenue.

Another financial constraint related to technology is the funding for a web site upgrade, which we have determined as a need for our customers satisfaction. The agency is considering using savings incentive funds to accomplish this much needed update.

Overall, the Economic and Revenue Forecast Council continues to remain fiscally fit and is very conservative with expenditures.